

Message Text

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C O N F I D E N T I A L SECTION 2 OF 2 PEKING 2470

EXDIS

C O R R E C T E D C O P Y (TEXT)

EXCHANGES OF DELEGATIONS SHOULD BE RECIPROCAL; THA
IS, US SHOULD SEEK INVITATIONS FOR ENERGY-RELATED
DELEGATIONS TO COME TO CHINA, AS WELL AS INVITING
CHINESE DELEGATIONS TO THE US. SINCE PRC IS NOW
ACTIVELY SEEKING TO PLACE CHINESE STUDENTS IN US
AND OTHER FOREIGN UNIVERSITIES AND RESEARCH
INSTITUTIONS, SECRETARY SCHLESINGER MAY WISH TO
OFFER CONCRETE PROPOSALS FOR LONG-TERM STUDY BY CHINESE
TECHNICIANS IN SPECIFIC ENERGY-RELATED RESEARCH PROGRAMS
OPERATED OR SPONSORED BY THE USG. AGAIN, AS A MATTER OF
RECIPROCITY, WE SUGGEST THAT HE REQUEST ACCEPTANCE OF
US RESEARCHERS AT CHINESE ENERGY RELATED SCIENTIFICA
AND TECHNICAL INSTITUTIONS. FINALLY, IT WOULD BE IN OUR
VIEW BE EXTREMELY USEFUL TO ESTABLISH AN INFORMAL BUT
OFFICIAL CHANNEL FOR EXCHANGE OF INFORMATION ON ENERGY-
RELATED QUESTIONS. WHILE CHINESE WILL PROBABLY NOT AGREE
TO A FORMAL MECHANISM IN THE ABSENCE OF FULL NORMALIZATION,
THEY MIGHT BE RECPTIVE TO INFORMAL MODALITIES. FOR
EXAMPLE, THEY MAY BE INTERESTED IN PERIODIC MEETINGS OF
EXPERTS, INCLUDING BUT NOT LIMITED TO GOVERNMENT OFFICIALS,
HELD UNDER OFFICIAL AUSPICES, IN EACH COUNTRY.

5. VISITS: WE ASSUME SECRETARY SCHLESINGER WILL WISH TO
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VISIT ONE OR MORE AREAS OUTSIDE PEKING. THERE ARE A
NUMBER OF INTERESTING POSSIBILITIES WHICH COULD BE
PROPOSED TO THE CHINESE, INCLUDING THE FOLLOWING:
(A) URMCHI AND TARIM BASIN: CHINESE ARE PLANNING
PETROLEUM EXPLORATION AND TEST DRILLING IN DESERT
AREAS, AND HAVE ALREADY MADE PRELIMINARY INQUIRIES TO
US FIRMS FOR ASSISTANCE. POSSIBLE DISADVANTAGE IS
THAT TRIP WOULD BE TIME CONSUMING, AND SECRETARY
SCHLESINGER HAS ALREADY VISITED SINKIANG.

(B) DRILLING OPERATIONS IN SOUTH CHINA SEA (EITHER OFF HAINAN ISLAND OR IN PEARL RIVER ESTUARY); US OIL FIRMS MAY BE INVOLVED IN EXPLORING AND DEVELOPING OIL RESOURCES IN SOUTH CHINA. PENNZOIL, EXXON AND JAPANESE HAVE VISITED THIS AREA, BUT VERY FEW OTHER FOREIGNERS. VISIT BY SECRETARY SCHLESINGER WOULD BE BOTH SUITABLE AND TIMELY.

(C) DRILLING OPERATIONS IN POHAI GULF: CHINESE HAVE BEEN ACTIVELY DRILLING IN THIS AREA, WHICH IS NOT FAR FROM PEKING, BUT FEW FOREIGNERS HAVE BEEN PERMITTED TO VISIT RIGS. US FIRMS HAVE SOLD EQUIPMENT FOR USE IN POHAI.

(D) NUCLEAR PHYSICS INSTITUTE AT LANCHOW AND NEARBY LIUCHIA HIGH DAM: ALTHOUGH CHINESE HAVE BEEN PERMITTED TO VISIT COMPARABLE INSTITUTIONS IN THE US, VERY FEW FOREIGNERS HAVE BEEN TO THIS INSTITUTE. THE LIUCHIA DAM, CHINA'S LARGEST PRODUCER OF HYDRO POWER (1,225 MW), IS IN THE MOUNTAINS TO THE WEST OF LANCHOW ON THE YELLOW RIVER.

(E) SZECHUAN NATURAL GAS FIELD: THIS IS CHINA'S LARGEST NATURAL GAS FIELD, AND SUPPLIES AN IMPORTANT RAW MATERIAL FOR CHINA'S PETROCHEMICAL INDUSTRY. TO OUR CONFIDENTIAL

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KNOWLEDGE, NO FOREIGNER HAS EVER HAD A COMPREHENSIVE LOOK AT IT, BUT IT HAS THE POTENTIAL TO BECOME A SOURCE OF EXPORTABLE LNG, IN SPITE OF ITS HIGH SULFUR CONTENT.

(F) COAL FIELDS IN THANSHAN 150 KM ESE OF PEKING, HAVE BEEN REFURBISHED SINCE THE 1976 EARTHQUAKE AND SHOULD BE CHINA'S MOST MODERN, WITH NEARBY POWER GENERATION FACILITIES. ALTERNATIVES ARE THE MINE NEAR FUSHIN IN LIAONING OR TATUNG IN NORTHERN SHANSI

6. STAFF SUPPORT. ECONOMIC COUNSELOR WILLIAM W. THOMAS WILL BE CONTROL OFFICER. SECRETARY SCHLESINGER'S TRIP PROVIDES USEFUL OPPORTUNITY FOR USLO TO EXPAND ITS CONTACTS IN RELEVANT PRC MINISTRIES, WHICH COULD ALSO PROVE HELPFUL IN FOLLOW-UP AFTER THE VISIT. WE HOPE, THEREFORE, WASHINGTON WILL REMAIN ALERT TO POSSIBILITIES FOR DIRECT CONTACTS HERE IN PLANNING TRIP, WHICH COULD ENHANCE PROSPECTS OF ACHIEVING THE SCHEDULE AND ITINERARY SECRETARY WOULD LIKE.

7. USLO DEPUTY CHIEF ROY WILL BE IN WASHINGTON IN MID-AUGUST, AND WILL BE AVAILABLE TO DISCUSS VISIT ARRANGEMENTS WITH DOE AND DEPARTMENT PERSONNEL.
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